HOUSING MARKET OUTLOOK
Halifax CMA

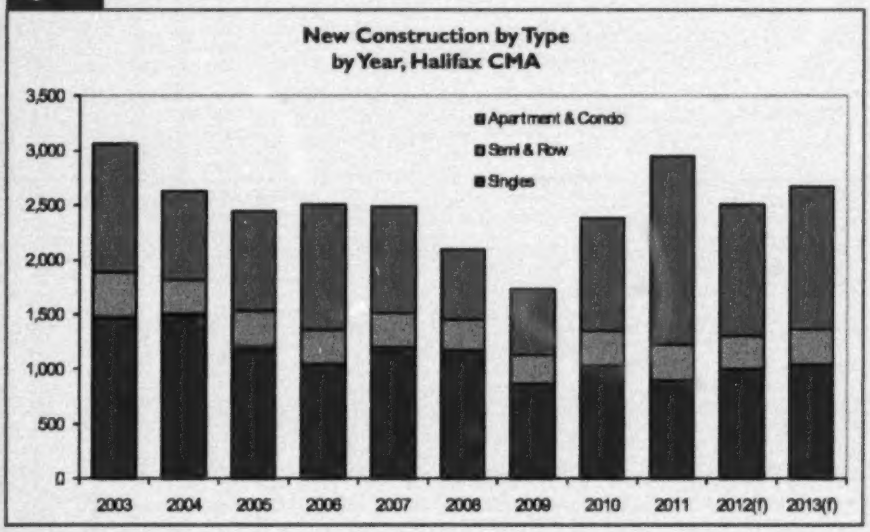
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2012

Economic Growth to Support Housing Demand

The Nova Scotia economy is expected to record positive economic growth over the forecast period at 1.2 per cent in 2012 followed by 1.5 per cent in 2013. The Halifax Regional Municipality (HRM) will be the main driver of growth in the province as positive net migration along with moderate increases in economic activity and employment will stimulate the economy. Specifically, a variety of residential and commercial construction projects, the federal shipbuilding contract, anticipated gains in the provincial manufacturing sector and natural gas production will advance employment and economic growth while attracting new migrants to the city.

Figure 1



Source and Forecast: CMHC

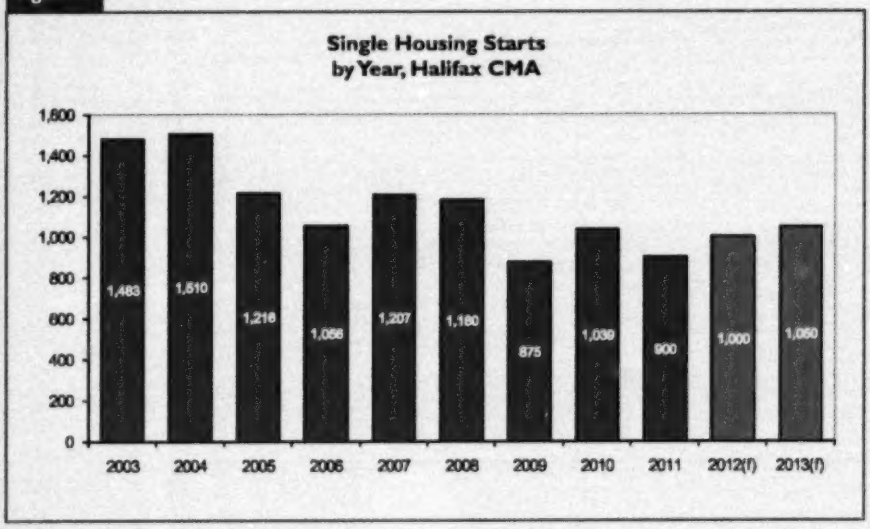
Table of Contents

1 Economic Growth to Support Housing Demand
3 Mortgage Rates
3 New Home Construction to Increase in 2013
4 Existing Home Sales Expected to Increase
5 New Supply will Lead to Higher Vacancy Rate
6 Forecast Summary
7 CMHC - Home to Canadians

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Figure 2



Source and Forecast: CMHC

The population of Nova Scotia is currently hovering around record levels at approximately 945,000 residents. However, for the first time in four years the province began experiencing negative net-migration in late 2011. This pattern continued into the first quarter of 2012. As a result, population growth for the province as a whole has largely stagnated. Despite a flattening provincial population, the city of Halifax has seen its population increase moderately in the last number of years. According to the 2011 census, the HRM's population reached 390,328 residents, a level that was 4.7 per cent higher than in 2006. Over the forecast period, modest population increases in the city, mostly due to positive net migration will stimulate demand for all types of housing. More specifically, new migrants moving to the HRM will be especially supportive of demand for rental units.

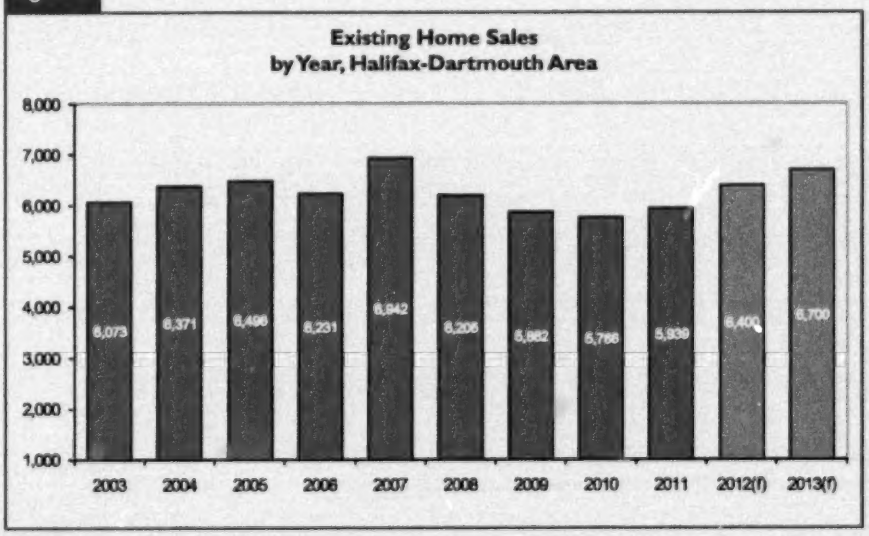
Employment trends in Halifax have been mixed in the last few years. In 2010, the city reported total employment growth of just over one per cent with all of the growth coming in part-time jobs. In fact, full-time employment levels actually declined in 2010. In 2011, the employment trend shifted as full-time employment climbed just over one per cent while part time employment recorded gains of 0.4 per cent. Thus far in 2012, part-time employment growth has outpaced full-time gains at 2.3 per cent compared to 0.7 per cent.

Though gains in full-time employment tend to be more supportive of increased demand for housing, growth in part-time employment can also contribute to increased demand, particularly in the rental market. Expect employment in the HRM to average approximately 1.3 per cent growth in both 2012 and 2013.

After recording four consecutive years of positive real wage growth, real wages in Halifax declined in 2011 as increases in the consumer price index (CPI; a measure of inflation) exceeded nominal wage growth. In 2011, average wages in the city increased one per cent to approximately $40,896 while CPI climbed 3.5 per cent. This year however, continued nominal wage growth in the first eight months of the year coupled with smaller increases in CPI has resulted in positive real wage growth of nearly two per cent.

Advances in economic activity and modest employment growth along with positive net migration to the city will result in continued demand for all types of housing in 2012 and 2013.

Figure 3



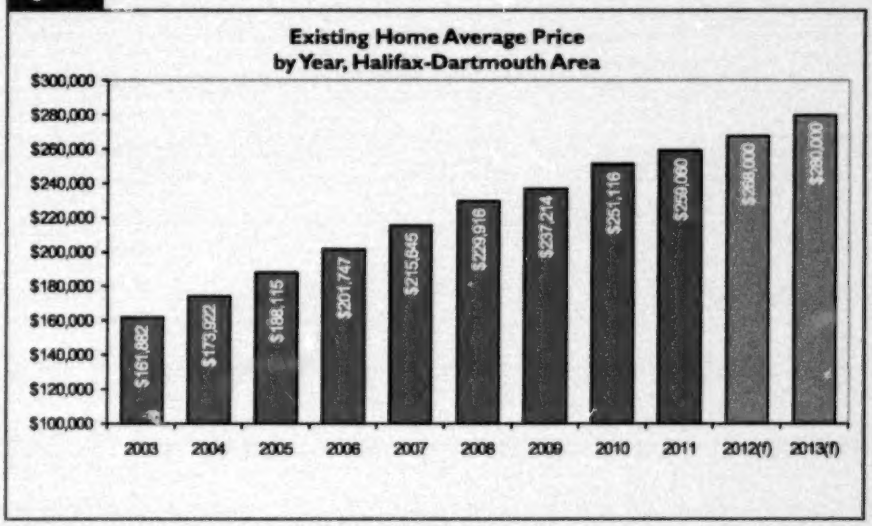
Source: Nova Scotia Association of REALTORS® & CREA
MLS® is a registered trademark of the Canadian Real Estate Association
Forecast: CMHC

Mortgage Rates

Although there is significant uncertainty, mortgage rates are not expected to change in 2012. Slight increases are expected in 2013, but rates will remain low by historical standards.

According to CMHC's base case scenario, for 2012, the one-year mortgage rate is forecasted to be within 2.75 per cent to 3.50 per cent. For 2013, the one-year posted mortgage rate is expected to rise and be in the 3.00 per cent to 4.00 per cent range, while the five-year posted mortgage rate is forecasted to be within 5.00 per cent to 5.75 per cent, consistent with higher employment and economic growth prospects in 2013.

Figure 4



Source: Nova Scotia Association of REALTORS® & CREA
MLS® is a registered trademark of the Canadian Real Estate Association
Forecast: CMHC

New Home Construction to Increase in 2013

Coming off a strong year in 2011, new home construction in the city is expected to decline in 2012 before increasing in 2013. There were 2,954 total residential construction starts in the HRM in 2011. In 2012, expect starts to decline 15 per cent to 2,510 units before increasing in 2013 to 2,670 starts.

With general stability in the single-detached segment of the Halifax new home construction market in recent years, the annual changes have been largely attributed to multi-residential projects. In 2010, 1,043 apartment units were started with another 1,724 apartment units recorded in 2011. Of these units, just 255 or nine per cent have been condominium units.

After three quarters of 2012, apartment construction has remained below last year's pace with 958 units started compared to 1,334 units as of the end of September 2011. Coming off a strong showing in 2011, expect apartment starts to decline in 2012 and finish the year with approximately 1,200 new starts before climbing eight per cent in 2013 to 1,300 units. Despite fewer units being forecast compared to 2011, apartment construction will remain above the current ten-year average of 1,016 units. Expect the majority of apartment starts to continue to be rental as opposed to condo.

Demand for apartment rental units in the city is largely supported by positive net migration. Immigration, as well as migration to Halifax from other parts of the province stimulates demand for all types of housing and especially rental accommodations, as new migrants have a higher tendency to rent. Additionally, demand from the baby-boomer generation encompasses a large and growing segment of the rental population throughout the HRM. This segment is expected to continue to be a significant source of rental demand over the forecast period.

In contrast to the relatively high number of starts reported on the multiples side, single-detached starts have remained somewhat subdued in recent years. In 2011, singles starts declined 13 per cent to 900 units, their second lowest level since 1991 and only slightly ahead of the 875 starts recorded in 2009. As of September, single-detached starts are up nearly 11 per cent to 742 units in 2012 compared to last year. Despite the year-over-year increase, single starts in the city remain below the ten-year, year-to-date average of 940 units.

In 2012, expect economic and employment growth, largely tied to a variety of residential and commercial construction projects, along with positive net migration and low interest rates to advance demand for singles, resulting in an 11 per cent increase to 1,000 units. In 2013, expect similar factors to contribute to additional growth as single-detached starts climb to 1,050 units.

Figure 5

Source and Forecast: CMHC

The average sale price of a new single in the HRM exceeded the $425,000 mark as of the end of August 2012 as demand for higher priced homes throughout the city stimulated price growth. Consumer preference in terms of style, location, amenities and finishings contributed to increasing construction costs and placed upward pressure on prices. As of the end of August, nearly 31 per cent of all homes in the city were priced above $450,000 compared to 17 per cent in 2011.

In the semi-detached and row segment of the market, starts increased by seven per cent in 2011 to 330 units. Through nine months of 2012, semis and rows continue to be a popular alternative in the city as evidenced by ten per cent year-to-date growth to 207 units. Expect semi-detached and row unit starts to total 310 units in 2012 before increasing three per cent to 320 starts in 2013.

Existing Home Sales Expected to Increase

Existing home sales in the HRM reported only slight changes over the past couple of years. In 2010, sales declined 1.6 per cent to 5,766 units before increasing three per cent in 2011 to 5,939 sales. Despite the modest year-over-year increase in 2011, existing home sales posted sharp increases in the final two months of 2011. This trend continued into the first quarter of 2012 as sales increased 21 per cent compared to the first quarter of 2011. However, the pace of existing home sales slowed in the second and third quarters of the year, aligning with the current ten-year average. The recent strength in sales is largely attributed to a supportive interest rate environment, positive net migration to the HRM and gains in employment in late 2011 and early 2012. Expect sales to increase eight per cent in 2012 to 6,400 units and another 4.7 per cent in 2013 to 6,700 units as economic growth over the forecast period stimulates housing demand.

While sales have reported minimal growth in recent years, the average price of an existing home continued to advance. The average price increased by six per cent in 2010 to $251,116 followed by another three per cent in 2011 to $259,060. As of August, prices increased this year by 3.6 per cent to just under $271,000. Expect the average price to reach $268,000 at the end of 2012 before rising another 4.5 per cent in 2013 to $280,000.

The factors that influence price growth are similar to those that impact the new homes market, specifically, location, amenities, finishings and consumer preference for larger homes. In 2011, existing homes selling for more than $250,000 recorded sales growth of ten per cent while those homes selling for less than $250,000 recorded little change. At the time, all sales growth in the city was in the above average priced homes category. Thus far in 2012, a similar trend continues to be at play as homes selling for more than $300,000 reported growth of 19 per cent compared to last year. Existing homes selling for more than $400,000 recorded growth of nearly 23 per cent, year-to-date, to 534 sales.

The style of home is also a contributing factor to price appreciation. As of the end of August, two-storey homes comprised nearly 48 per cent of all existing home sales in the city. The average price of a two-storey home in the HRM was $319,500, which was 2.7 per cent higher than last year.

The average price of an existing home in the HRM increased despite a modest increase in supply. New listings climbed just under one per cent as of the end of August to 7,934 units.

Expect new listings to increase over the forecast period due to elevated sales levels in both 2012 and 2013.

New Supply will Lead to Higher Vacancy Rate

The rental apartment vacancy rate in the HRM was relatively unchanged in October 2011 at 2.4 per cent compared to a rate of 2.6 per cent in October 2010. The vacancy rate reported last year was the lowest apartment vacancy rate since 2003 when the rate stood at 2.3 per cent.

The decline in vacancies is attributed to increased demand relative to changes in new and existing rental supply throughout the HRM. Specifically, incremental demand for rental units increased at a pace that exceeded new supply in both 2010 and 2011.

As previously discussed, a significant portion of recent residential construction in the HRM has been apartment-style rental units. Despite these high numbers, the vacancy rate continued to below the current ten-year average of 2.9 per cent. In 2010 builders broke ground on 943 rental apartments in the city and in 2011 construction began on another 1,565 units. Expect an additional 1,200 apartment starts to be recorded in 2012, followed by 1,300 units in 2013.

Despite the higher levels of apartment construction, the number of units that were completed and absorbed remained low, further supporting a low vacancy rate. A primary reason for the small number of units coming to market has to do with the nature of the product being built. With large structures and above-average finishings, construction times tend to be longer and many of the units that broke ground in late 2010 and throughout 2011 simply have not yet hit the market. In 2011, only 530 new apartment rental units completed construction in the city. As of September 2012, there were 2,113 rental apartment units under construction in the HRM.

In 2012, it is expected that a modest number of apartments will complete and be available for rent, pushing the vacancy rate up to 2.7 per cent. It is also expected that a number of units will finish construction after the 2012 survey is completed and into 2013, impacting the vacancy rate next year. As a result of increased levels of supply, the forecasted vacancy rate for 2013 is 3.2 per cent.

A variety of factors stimulate demand for rental units. Specifically, net migration to the city from rural parts of the province, as well as immigration provide an ongoing source of rental demand as new migrants tend to seek rental accommodations upon arriving in a new city. Since 2006, over 16,000 new migrants arrived in Halifax with over 7,000 between the ages of 18 and 24 – an age segment which has a high propensity to rent. With the expectation of economic and employment growth, along with migration related to education, total net migration is expected to remain positive over the forecast period.

In addition to youth and new migrants, another source of rental demand in the city stems from the baby boomer population. Despite having a lower propensity to rent than the 18-24 age group, the number of renters in this segment actually exceeds all other age groups.

Negative real wage growth combined with slow economic growth in 2011 shifted some demand from first time home-buyers towards the rental market. However, positive real wage growth along with gains in employment in 2012 have stimulated demand for homeownership and put some upward pressure on the vacancy rate.

Average rents in Halifax are expected to increase in 2012 due to a variety of factors, including; increased costs of labour and construction, the impact of higher rents of new units in the market and continued demand for rental product. As a result, expect average two-bedroom rents to climb to $955 per month in 2012 before increasing to approximately $980 per month in 2013.

Despite the expected increase in average rents, the rental market in the city remains relatively affordable. Average rents have increased at a slower pace than both new and existing home prices while remaining on par with increases in wages. As a result, the rental market in Halifax continues to be an attractive housing alternative.

Forecast Summary
Halifax CMA
Fall 2012

	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	5,862	5,766	5,939	6,400	7.8	6,700	4.7
MLS® New Listings	10,516	10,160	10,336	10,450	1.1	10,700	2.4
MLS® Average Price ($)	237,214	251,116	259,060	268,000	3.5	280,000	4.5
New Home Market							
Starts:							
Single-Detached	875	1,039	900	1,000	11.1	1,050	5.0
Multiples	858	1,351	2,054	1,510	-26.5	1,620	7.3
Semi-Detached	118	156	170	160	-5.9	165	3.1
Row/Townhouse	141	152	160	150	-6.3	155	3.3
Apartments	599	1,043	1,724	1,200	-30.4	1,300	8.3
Starts - Total	1,733	2,390	2,954	2,510	-15.0	2,670	6.4
Average Price ($):							
Single-Detached	335,070	352,783	400,405	425,000	6.1	440,000	3.5
Median Price ($):							
Single-Detached	311,400	328,078	360,000	380,000	5.6	400,000	5.3
New Housing Price Index (% chg.)	1.1	0.9	1.7	3.0	-	3.0	-
Rental Market							
October Vacancy Rate (%)	2.9	2.6	2.4	2.7	0.3	3.2	0.5
Two-bedroom Average Rent (October) ($)	877	891	925	955	-	980	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	219,200	221,100	223,900	226,500	1.2	230,000	1.5
Employment Growth (%)	3.4	0.9	1.3	1.2	-	1.5	-
Unemployment rate (%)	6.4	6.3	6.0	6.1	-	5.8	-
Net Migration	3,631	4,437	2,500	2,100	-16.0	2,300	9.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Nova Scotia Association of REALTORS®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2012 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on

25 years ans

FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

On June 1, 2012, CMHC's Market Analysis Centre turned 25!

CMHC's Market Analysis Centre has a strong history as the Canadian housing industry's "go-to" resource for the most reliable, impartial and up-to-date housing market data analysis and forecasts, in the country.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities — starts, rents, vacancy rates and much more.

Housing for Older Canadians –
The Definitive Guide to the Over-55 Market

- Independent Living
- Aging in place
- A Series of Online Guides

Find out more

64267_2012_B02